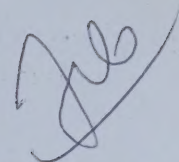


VENPOWER LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES



To the shareholders:

On December 1, 1971, the fixed assets and inventory of our subsidiary companies were sold to an agency of the Government of Venezuela for \$2,506,341, in accordance with the terms of the agreement between the two parties. Proceeds of the sale have been received by the subsidiary companies.

It is anticipated that the final legal requirements in connection with the sale, collection of receivables, and settlement of income taxes will be completed within several weeks. In the interim, as announced at the annual meeting, the company is actively seeking alternative sources of investment.

C. W. LEONARDI
President

February 25, 1972

CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended Dec. 31, 1971
(With comparative figures for 1970)

REVENUE	1971	1970
Sale of power	\$ 424,883	\$ 536,769
Miscellaneous	69,167	36,393
	<u>494,050</u>	<u>\$ 573,162</u>
EXPENSES		
Operating and administrative	\$ 249,519	\$ 243,901
Provision for depreciation	157,962	194,312
Legal fees	7,759	2,392
	<u>\$ 415,240</u>	<u>\$ 440,605</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	<u>\$ 78,810</u>	<u>\$ 132,557</u>
Foreign income taxes	14,038	31,090
EARNINGS BEFORE EXTRAORDINARY ITEM	<u>\$ 64,772</u>	<u>\$ 101,467</u>
Extraordinary item less applicable income taxes	4,967	(19,434)
NET EARNINGS FOR THE PERIOD	<u>69,739</u>	<u>\$ 82,033</u>
BASIC EARNINGS PER COMMON SHARE		
Before extraordinary item	2.2¢	3.5¢
After extraordinary item	2.4¢	2.8¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended Dec. 31, 1971
(With comparative figures for 1970)

SOURCE OF FUNDS	1971	1970
From operations		
Net earnings for the period	\$ 69,739	\$ 82,033
Provision for depreciation	157,962	194,312
Organization and financing expenses	162,170	—
	<u>389,871</u>	<u>276,345</u>
Disposal of fixed assets	\$ 2,005,324	—
Increase (decrease) in unrealized foreign exchange	58,973	(20,643)
	<u>\$ 2,454,168</u>	<u>\$ 255,702</u>
APPLICATION OF FUNDS		
Decrease in employees severance indemnities	66,354	1,167
Additions to fixed assets	300	14,152
Organization and financing expenses deferred	—	12,716
	<u>\$ 66,654</u>	<u>\$ 28,035</u>
INCREASE IN WORKING CAPITAL	<u>\$ 2,387,514</u>	<u>\$ 227,667</u>
WORKING CAPITAL, JULY 1	<u>\$ 1,303,584</u>	<u>\$ 781,312</u>
WORKING CAPITAL, DECEMBER 31	<u>\$ 3,691,098</u>	<u>\$ 1,008,979</u>

VENPOWER LIMITED
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